

IN THE UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

IN THE MATTER OF:

CASE NO. 18-60526

LITTLE RIVER HEALTHCARE
HOLDINGS, LLC, ET AL

DEBTORS

CHAPTER 11

THE COUNTY OF BASTROP, TEXAS, BELL COUNTY TAX APPRAISAL DISTRICT, THE CITY OF WACO, TEXAS, THE COUNTY OF MILAM, TEXAS, COMSTOCK INDEPENDENT SCHOOL DISTRICT, THE COUNTY OF WILLIAMSON COUNTY, TEXAS, THE CITY OF GROESBECK, TEXAS, AND GROESBECK INDEPENDENT SCHOOL DISTRICT'S LIMITED OBJECTION TO DEBTOR'S MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING DEBTORS TO (A) USE CASH COLLATERAL ON A LIMITED BASIS AND (B) OBTAIN POST-PETITION FINANCING ON A SECURED, SUPERPRIORITY BASIS, (II) GRANTING ADEQUATE PROTECTION, (III) SCHEDULING A FINAL HEARING, (IV) MODIFYING THE AUTOMATIC STAY,
AND (V) GRANTING RELATED RELIEF

TO THE HONORABLE BANKRUPTCY JUDGE:

NOW COME The County of Bastrop, Texas, Bell County Tax Appraisal District, The City of Waco, Texas, The County of Milam, Texas, Comstock Independent School District, The County of Williamson, Texas, The City of Groesbeck, Texas and Groesbeck Independent School District ("Texas Taxing Jurisdictions"), secured creditors in the above bankruptcy case, and file their Objection to the **Debtor's Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Use Cash Collateral on a Limited Basis and (B) Obtain Post-Petition Financing on a Secured, Superpriority, Basis, (II) Granting Adequate Protection, (III) Scheduling a Final Hearing, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief (the "Motion") [Docket No. 19,43,58]**, on the following grounds:

1. The Texas Taxing Jurisdictions have filed prepetition secured proof of claims herein for ad valorem property taxes against the Debtor's personal property and real property in the amount of \$27,733.05 for the 2017 year, and an estimated amount of \$210,138.87 for the 2018 tax year.

2. The Texas Taxing Jurisdictions are political subdivisions of the State of Texas. As of January 1, 2018, liability arose and a senior lien attached to the business personal property of the Debtors for the 2018 taxes. Texas Property Tax Code Sections 32.01 and 32.05.
3. These taxes are secured with a security interest that is superior to that of any other secured claim under the Texas Constitution, Article VIII, Section 15, and the Texas Property Tax Code, Section 32.01 and Section 32.05(b). Stanford v. Butler, 826 F.2d 353 (5th Cir. 1987), 11 USC § 506; Universal Seismic Associates, Inc., 288 F.3d 205 (5th Cir. 2002); In Re Winn's Stores, Inc.; 177 B.R. 253 (Bktcy W.D. Tex 1995). In addition, the lien is a lien *in solido* and attaches to all personal property of the debtors. Texas Property Tax Code Section 32.01(b).
4. Further, the Interim Order provides that upon the sale of any of the assets, any settlement, casualty, or condemnation proceeds relating to any of the Debtors' assets or any reimbursement payment from CMS shall be paid to the Agent, for immediate application to the outstanding Secured Claim. To the extent that any property securing the Texas Taxing Jurisdictions' claims is sold or settled such proceeds constitutes the Texas Taxing Jurisdictions' cash collateral and they object to the use of its cash collateral to pay other creditors before the tax claims have been paid in full. Absent an established ad valorem tax reserve, the Texas Taxing Jurisdictions object to the application of any sale proceeds to the Secured Claim.

WHEREFORE, the Texas Taxing Jurisdictions request this Court deny the Motion unless and until all issues raised herein are resolved, and grant the Texas Taxing Jurisdictions such other and further relief, at law or in equity, as is just.

Dated: August 9, 2018

Respectfully submitted,

MCCREARY, VESELKA, BRAGG & ALLEN, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that the above Objection has been served upon the following parties as well as all parties receiving the Court's ECF service on August 9, 2018, by Electronic Notification

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